

## ANTHEM DIRECTED TO REFUND \$23.7 MILLION TO

### 81,000 ELDERLY, DISABLED IN KENTUCKY

Office of Insurance action related to company's Medicare supplement business

FRANKFORT, Ky. – The Kentucky Office of Insurance (KOI) has ordered Anthem Health Plans of Kentucky Inc. to refund \$23.7 million to more than 81,000 seniors and disabled individuals for errors contained in the filing of Medicare supplement rates for 2005, Governor Ernie Fletcher announced today. In addition, KOI is fining the company \$2 million for overstated projections and for failure to notify the agency when the errors were discovered. According to KOI, this is the largest fine ever levied against an insurer by the agency.

KOI's investigation shows that Anthem overpaid providers for medical claims and began recouping the excess payments in December 2004. However, the inaccurate claims payments and resulting overestimation of medical trends were used to justify increased premiums in 2005. Anthem did not advise KOI of the inaccuracies until questioned about the significant discrepancy in projections during a review of filings submitted this fall.

Since KOI found that the premiums being charged by Anthem were "unreasonable" in relation to the benefits provided, the order requires Anthem to refund members the exact amount of the increased premiums, including the amount of overcharge, plus interest.

The \$23.7 million in refunds will affect those with Anthem Medicare supplement plans and does not apply to those in Medicare Plus Choice plans (now Medicare Advantage), which are under federal jurisdiction. The average refund will be just under \$300 and will vary depending on the plan and the premium increase.

"I applaud the Office of Insurance for taking this step to protect a vulnerable population," stated Governor Fletcher. "We hope it is clear that we will not hesitate to take strong and appropriate regulatory action when justified to protect the interests of the people of the Commonwealth."

"We understand that errors occur in the process of doing business and encourage companies to have open and honest dealings with our agencies," said EPPC Secretary LaJuana S. Wilcher. "While it is unfortunate when we have to take this type of action, we are pleased that the consumers who were overcharged should receive refunds."

Glenn Jennings, KOI executive director, said, "In addition to our efforts to protect the 81,000 consumers who were harmed, the additional message is that all insurers should feel there is a level playing field in Kentucky and all companies are treated fairly."

Anthem can appeal this order by requesting a hearing within the next 60 days.

KOI is an agency of the Environmental and Public Protection Cabinet.